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January 21, 2011

Employer Code: 1021  
Job Number: P10-003

Benicia City Housing Authority  
Julie Peterson, Executive Director  
28 Riverhill Drive  
Benicia, CA 94510

Dear Ms. Peterson:

Enclosed is our final report on the results of the public agency review completed for the Benicia City Housing Authority. Your agency's written response indicates agreement with the issues noted in the report. The written response is included as an appendix to the report. As part of our resolution process, we have referred the issues identified in the report to the appropriate divisions at CalPERS. Please work with these divisions to address the recommendations specified in our report. It was our pleasure to work with your agency and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original Signed by Margaret Junker

Margaret Junker, CPA, CIA, CIDA  
Chief, Office of Audit Services

Enclosure

cc: Finance Committee Members, CalPERS  
Peter Mixon, General Counsel, CalPERS  
Lori McGartland, Chief, ERSD, CalPERS  
Mary Lynn Fisher, Chief, BNSD, CalPERS  
Holly Fong, Chief, EMHS, CalPERS  
Honorable Board Members, Benicia City Housing Authority

# Benicia City Housing Authority



## Public Agency Review



Office of Audit Services

Employer Code:1021  
Job Number: P10-003

January 2011

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# BENICIA CITY HOUSING AUTHORITY

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## RESULTS IN BRIEF

We reviewed the Benicia City Housing Authority's (Authority) enrolled individuals, health and retirement contributions, member earnings and required health, retirement and Automated Communications Exchange System (ACES) documentation for employees included in our test sample. A detail of the exceptions is noted in the Risk and Mitigation Table. Specifically, the following exceptions were noted during the review:

- The value of employer provided uniforms was not reported.
- Payrate and regular earnings were not correctly reported for two sampled employees.
- One retirement contribution sampled was not submitted timely.
- A temporary/part-time employee was not enrolled into CalPERS membership when a membership eligibility requirement was met.
- Required health enrollment form was not maintained for one sampled employee.
- Employer/Employee health contribution amounts were not correct for two sampled employees.
- Three sampled Health contribution payments were remitted late.

## BACKGROUND

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Employer Services Division (ERSD) manages contract coverage for public agencies and receives, processes, and posts payroll information. CalPERS Benefit Services Division (BNSD) provides services for eligible members who apply for service or disability retirement. BNSD sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Office of Employer and Member Health Services (EMHS), as part of the Health Benefits Branch (HBB), provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts.

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# **BENICIA CITY HOUSING AUTHORITY**

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Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employers' knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

The Authority was established on July 17, 1942 by a resolution of the City Council of the City of Benicia. The Authority is governed by a seven-member Board of Commissioners. The Authority's primary activity is the maintenance and operation of low rent housing facilities and participation in the U.S. Department of Housing and Urban Development (HUD) Section 8 housing assistance payments programs.

The Authority's Personnel Policy & Procedures Manual and employment agreements outline Authority employees' salaries and benefits and state the terms of employment agreed upon between the Authority and its employees.

The District contracted with CalPERS effective January 1, 1975, to provide retirement benefits for local miscellaneous employees. The Authority's current contract amendment identifies the length of the final compensation period as twelve months for all coverage groups. The Authority contracted with CalPERS effective July 1, 1978, to provide health benefits to all eligible employees.

## **SCOPE**

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the District's payroll reporting and enrollment processes as these processes relate to the District's health and retirement contracts with CalPERS. The objective of this review was limited to the determination that the District complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations and that prescribed reporting and enrollment procedures were followed. The on-site fieldwork for this review was conducted on August 9, 2010 through August 11, 2010.

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The review period was limited to the examination of sampled records and processes from April 1, 2007 through March 31, 2010. To accomplish the review objectives, we performed the following:

- ✓ Reviewed the contract and subsequent amendments the Authority had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the Authority had with its employees.
- ✓ Interviewed key staff members to obtain an understanding of the Authority's personnel and payroll procedures.
- ✓ Reviewed the payroll transactions and compared the Authority's payroll register with the data reported to CalPERS to determine whether the Authority correctly reported employees' compensation.
- ✓ Reviewed the Authority's payroll information reported to CalPERS to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the Authority's process for reporting payroll to CalPERS to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed reported payroll to determine whether the payment of contributions and the filing of payroll reports were submitted within the required timeframes.
- ✓ Reviewed the Authority's enrollment practices pertaining to temporary/part-time employees, retired annuitants, and independent contractors to determine whether the individuals met CalPERS membership requirements.
- ✓ Reviewed the Authority's classification of employees to determine whether the District reported employees in the appropriate coverage groups.
- ✓ Reviewed the Authority's calculation and reporting of unused sick leave balances for retiring members.
- ✓ Reviewed employees and their dependents to determine whether the Authority properly enrolled eligible individuals into CalPERS Health Benefits Program.
- ✓ Reviewed health contribution payment information to determine whether the Authority remitted payments within the required timeframe.
- ✓ Reviewed health contribution payments to determine whether the Authority contributed the correct employee/employer contribution amounts.
- ✓ Determined whether the Authority maintained the required user security documents on file and reasonable security procedures were in place for ACES users.

# BENICIA CITY HOUSING AUTHORITY

## RISK AND MITIGATION TABLE

In developing our opinions, we considered the following risks and mitigations. We also include our observations and recommendations.

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The Authority may not accurately report compensation to CalPERS.</p>	<p>We reviewed payroll records and compensation reported to CalPERS for a sample of five employees over two service periods. The service periods reviewed were the first service period of December 2009 (12/09-1) and the first service period of March 2010 (3/10-1).</p> <p>The earnings reported to CalPERS were reconciled to the Authority's payroll records. The Authority accurately reported compensation for the employees in our sample, except for the value of employer provided uniforms was not reported as compensation to CalPERS.</p> <p>The Authority required the maintenance staff employees to wear uniforms. The uniforms were provided to employees required to wear them, but the value was not reported to CalPERS as special compensation.</p> <p>Government Code, § 20636(c)(6) states, in part, "The board shall promulgate regulations that delineate more specifically and exclusively what constitutes 'special compensation' as used in this section. A uniform allowance, the monetary value of employer-provided</p>	<p>The Authority should report the value of uniforms provided to the maintenance staff as special compensation.</p> <p>The Authority should work with CalPERS ERSD to assess the impact of this non-reporting and determine what adjustments, if any, are needed.</p>

# BENICIA CITY HOUSING AUTHORITY

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The Authority may not accurately report compensation to CalPERS. (continued)</p>	<p>uniforms... shall be included as special compensation.”</p> <p>California Code of Regulations, § 571(a)(5), defines uniform allowance as, “Compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing, including clothing made from specially designed protective fabrics, which is a ready substitute for personal attire the employee would otherwise have to acquire and maintain. This excludes items that are solely for personal health and safety such as protective vests, pistols, bullets, and safety shoes.”</p>	
<p>2. The Authority may not report payrates in accordance with publicly available salary schedules.</p>	<p>We reviewed payrates reported to CalPERS and reconciled the payrates to the Authority’s public salary information to determine whether payrates for the sampled employees were properly authorized and reported to CalPERS. All sampled payrates were properly authorized and reported to CalPERS.</p>	<p>None.</p>
<p>3. The Authority may not accurately report payroll information to CalPERS.</p>	<p>We reviewed the payroll information reported to CalPERS for the sampled service periods. Our sample testing revealed that the Authority correctly reported the payroll information to CalPERS except for the underreporting of payrate and regular earnings. Specifically, the payrate and regular earnings for two sampled employees had changed during the review period. Both employees had received raises, but the updated payrate and earnings</p>	<p>The Authority should always report the normal base rate of pay.</p> <p>The Authority should work with CalPERS ERSD to assess the impact of this incorrect reporting and to determine what</p>

# BENICIA CITY HOUSING AUTHORITY

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The Authority may not accurately report payroll information to CalPERS. (continued)</p>	<p>were not reported to CalPERS.</p> <p>In addition, one of the employees worked 35 hours per week in a 40 hour per week position. The Authority reported only 87.5% of the full-time payrate for this employee. The Authority also did not report all regular earnings, up to 40 hours per week.</p> <p>Government Code, § 20636(a), states, "Compensation earnable by a member means the payrate and special compensation of the member."</p> <p>Government Code, § 20636(b)(1), defines payrate as, "The normal monthly rate of pay or base pay of the member for services rendered on a full-time basis during normal working hours."</p>	<p>adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this section of the report was sent to the Authority and CalPERS ERSD as an appendix to our draft report.</p>
<p>4. The Authority may fail to or did not submit payroll in a timely manner to CalPERS.</p>	<p>We reviewed the payroll information for service periods 12/09-1, 2/10-1, and 3/10-1 to determine whether payroll summary reports and retirement contributions were submitted to CalPERS within required timeframes. Required timeframes, from the close of the service period, are 30 days for submitting payroll summary reports and 15 days for submitting retirement contributions. We found that payroll information and contributions were submitted within required timeframes except for the following sampled service period.</p>	<p>The Authority should implement procedures to ensure that payroll summaries and contributions are reported timely to CalPERS.</p> <p>The Authority should work with CalPERS ERSD to assess the impact of this late payroll reporting and determine what adjustments, if any, are needed.</p>



# BENICIA CITY HOUSING AUTHORITY

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The Authority may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>officials elected for the first time on or after July 1, 1994, are not eligible for membership. The Authority did not have any elected officials who were eligible for membership and correctly excluded elected officials.</p> <p><u>Temporary/Part-time Employees</u></p> <p>We selected one temporary/part-time employee to determine whether the individual met CalPERS membership eligibility requirements. Our testing revealed the sampled employee worked 1,525 hours in fiscal year 2008/2009 and was not enrolled into membership. The 1,000 hour membership requirement was met in March 2009.</p> <p>Government Code, § 20305(a)(3)(B), states, in part, “An employee serving on a less than full-time basis is excluded from this system unless the person works 1,000 hours within the fiscal year, in which case, membership shall be effective not later than the first day of the first pay period of the month following the month in which 1,000 hours of service were completed.”</p> <p>Government Code, § 20044, states, “Fiscal year is any year commencing July 1<sup>st</sup> and ending June 30<sup>th</sup> next following.”</p>	<p>The Authority should ensure that all part-time/temporary employees are enrolled timely when membership eligibility requirements are met.</p> <p>The Authority should also work with CalPERS ERSD to assess the consequences of this membership error, and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employee mentioned in this report has been sent to the Authority and CalPERS ERSD as an appendix to our draft report.</p>

# BENICIA CITY HOUSING AUTHORITY

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The Authority may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p><u>Independent Contractor</u></p> <p>We reviewed the Authority's IRS 1099 Miscellaneous Income forms for calendar year 2009 in order to identify employees that may be misclassified as independent contractors. The Authority had properly classified and excluded independent contractors from membership.</p>	<p>None.</p>
<p>6. The Authority may unlawfully employ retired annuitants.</p>	<p>The Authority did not employ retired annuitants during our review period; therefore, no further testing was necessary.</p>	<p>None.</p>
<p>7. The Authority may not appropriately report members under the proper coverage group code.</p>	<p>Our sample testing revealed that the Authority reported individuals under the appropriate coverage group code.</p>	<p>None.</p>
<p>8. The Authority may not accurately report unused sick leave balances for retiring members.</p>	<p>Effective December 1, 1986, the Authority contracted for the benefit of credit for unused sick leave. However, there were no employees who retired during the review period. No further testing was necessary.</p>	<p>None.</p>
<p>9. The Authority may not properly enroll eligible employees and their dependents in health benefits.</p>	<p>We reviewed a sample of five employees to assess the health benefits eligibility and enrollment of members and their dependents. Our sample testing revealed that the Authority properly enrolled eligible employees and their dependents in CalPERS Health Benefits Program, except</p>	<p>The Authority should ensure that the proper member and dependent enrollment documentation is on file at the District for all employees.</p>

## BENICIA CITY HOUSING AUTHORITY

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>9. The Authority may not properly enroll eligible employees and their dependents in health benefits. (continued)</p>	<p>for the following:</p> <p>The Authority did not provide a copy of the Declaration of Health Coverage Form (HB-12A) for one sampled member who declined health benefits as of March 1, 2001. However, the HB-12A was completed during our on-site field appointment.</p> <p>California Code of Regulation, § 599.500(h), states, "Register not to enroll means to file with the employing office a properly completed Health Benefits Plan Enrollment Form electing not to be enrolled in a health benefits plan."</p> <p>California Code of Regulations, § 599.500(f), states, "Enroll means to file with the employing office a properly completed Health Benefits Plan Enrollment Form electing to be enrolled in a health benefits plan."</p> <p>The HB-12A provides information on enrollment options and consequences for non-enrollment. The HB-12A is to ensure compliance with the Health Insurance Portability and Accountability Act (HIPAA). Effective January 1, 1998, each employee must sign the HB-12A when they are first eligible to enroll or when they make any change to their health coverage. This includes open</p>	<p>A confidential list identifying the employee mentioned in this section of the report has been sent to the Authority and CalPERS HBB as an appendix to our draft report.</p>

# BENICIA CITY HOUSING AUTHORITY

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>9. The Authority may not properly enroll eligible employees and their dependents in health benefits. (continued)</p>	<p>enrollment changes, changing health plans when moving, adding or deleting a dependent, or canceling health benefits. The employer must provide the HB-12A at the time the employee requests enrollment or with the Health Benefit Plan Enrollment (HBD-12) form. The employer also must provide the employee a copy of the signed form and keep the original in the employee's file.</p>	
<p>10. The Authority may not contribute the appropriate health contribution amounts for active employees.</p>	<p>We reviewed the health contributions reported for March 2010. The Authority had a resolution on file which states they will pay all premium amounts, up to the Kaiser Health Plan premium rates. We determined that the Authority contributed the appropriate health contribution amount as part of the sampled members' total monthly contribution amount except in the following instances:</p> <ul style="list-style-type: none"> <li>• One sampled employee had Blue Shield coverage for himself and his dependents. The premium amount for this coverage was \$1,501.06. The Authority was to pay the Kaiser amount of \$1,384.66, leaving a balance for the employee share of \$116.40 per month. A review of the payroll records shows a deduction of \$67.95 per pay period. The correct amount should have been \$58.20 per pay period.</li> <li>• Another sampled employee had Blue Shield coverage for himself and his spouse. The premium amount for this coverage was \$1,154.66. The Authority was to</li> </ul>	<p>The Authority should update the employer/employee share of health premiums every year, as the new rates are posted.</p> <p>A confidential list identifying the employees mentioned in this section of the report has been sent to the Authority and CalPERS HBB as an appendix to our draft report.</p>

# BENICIA CITY HOUSING AUTHORITY

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>10. The Authority may not contribute the appropriate health contribution amounts for active employees. (continued)</p>	<p>pay the Kaiser amount of \$1,065.12, leaving a balance for the employee share of \$89.54. A review of the payroll records shows a deduction of \$52.27 per pay period. The correct amount should have been \$44.77 per pay period.</p> <p>Government Code, § 22890(a), states, "The contracting agency and each employee or annuitant shall contribute a portion of the cost of providing the benefit coverage afforded under the health benefit plan approved or maintained by the board in which the employee or annuitant may be enrolled."</p> <p>Government Code, § 22892(a), states, "The employer contribution of a contracting agency shall begin on the effective date of enrollment and shall be the amount fixed from time to time by resolution of the governing body of the agency. The resolution shall be filed with the board and the contribution amount shall be effective on the first day of the second month following the month in which the resolution is received by the system."</p>	
<p>11. The Authority may not remit health contributions within the required timeframe.</p>	<p>We reviewed the health contribution payments for January 2010, February 2010, and March 2010. Health contribution payments are due by the 10<sup>th</sup> day of the month for which the contributions are due. We determined that all three sampled payments were submitted late.</p>	<p>The Authority should ensure CalPERS receives the health contribution payment by the 10th of the month for which the contribution payment is due.</p>

# BENICIA CITY HOUSING AUTHORITY

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>11. The Authority may not remit health contributions within the required timeframe. (continued)</p>	<p>Specifically,</p> <ul style="list-style-type: none"> <li>• January 2010 Health contribution payment was received on January 25, 2010; 15 days late.</li> <li>• February 2010 Health contribution payment was received on February 19, 2010; nine days late.</li> <li>• March 2010 Health contribution payment was received on March 11, 2010; one day late.</li> </ul> <p>Government Code, § 22899(a), states, "The contributions required of a contracting agency, along with contributions withheld from salaries of its employees shall be forwarded monthly, no later than the 10th day of the month for which the contribution is due."</p>	
<p>12. The Authority may not maintain appropriate ACES security procedures.</p>	<p>We reviewed the security procedures for the Authority's ACES users to determine whether reasonable security precautions were maintained and to determine whether the required security documents were properly completed and filed for ACES users. The Authority exercised proper security and also maintained the required documentation for the three sampled ACES Users.</p>	<p>None.</p>

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# BENICIA CITY HOUSING AUTHORITY

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## CONCLUSION

We limited this review to the areas specified in the scope section of this report. We limited our test of transactions to samples of the Authority's payroll reports and personnel records. The sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code, except as noted above.

Respectfully submitted,

Original Signed by Margaret Junker

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Margaret Junker, CPA, CIA, CIDA  
Chief, Office of Audit Services

Date: January 2011

Staff: Michael Dutil, CIA, Senior Manager  
Diana Thomas, CIDA, Manager  
Nancy Sayers

# APPENDIX

## AUTHORITY'S WRITTEN RESPONSE



**HOUSING  
AUTHORITY**  
OF THE CITY OF BENICIA

28 RIVERHILL DRIVE • BENICIA, CALIFORNIA 94510 • PHONE 707-745-2071 • TTY 707-745-6062 • FAX 707-745-2673

January 5, 2011

Margaret Junker, CPA  
CalPers  
Office of Audit Services  
P.O. Box 942701  
Sacramento, CA 94229-2701

Re: Employer Code: 1021  
Job Number: P10-003

Dear Ms. Junker:

This responds to your letter dated November 10, 2010 in regards to the draft audit report regarding the Benicia Housing Authority.

The Benicia Housing Authority hereby concurs with the draft audit report and looks forward to working with your office in carrying out the recommendations in the report.

Sincerely,

Julie Peterson  
Executive Director